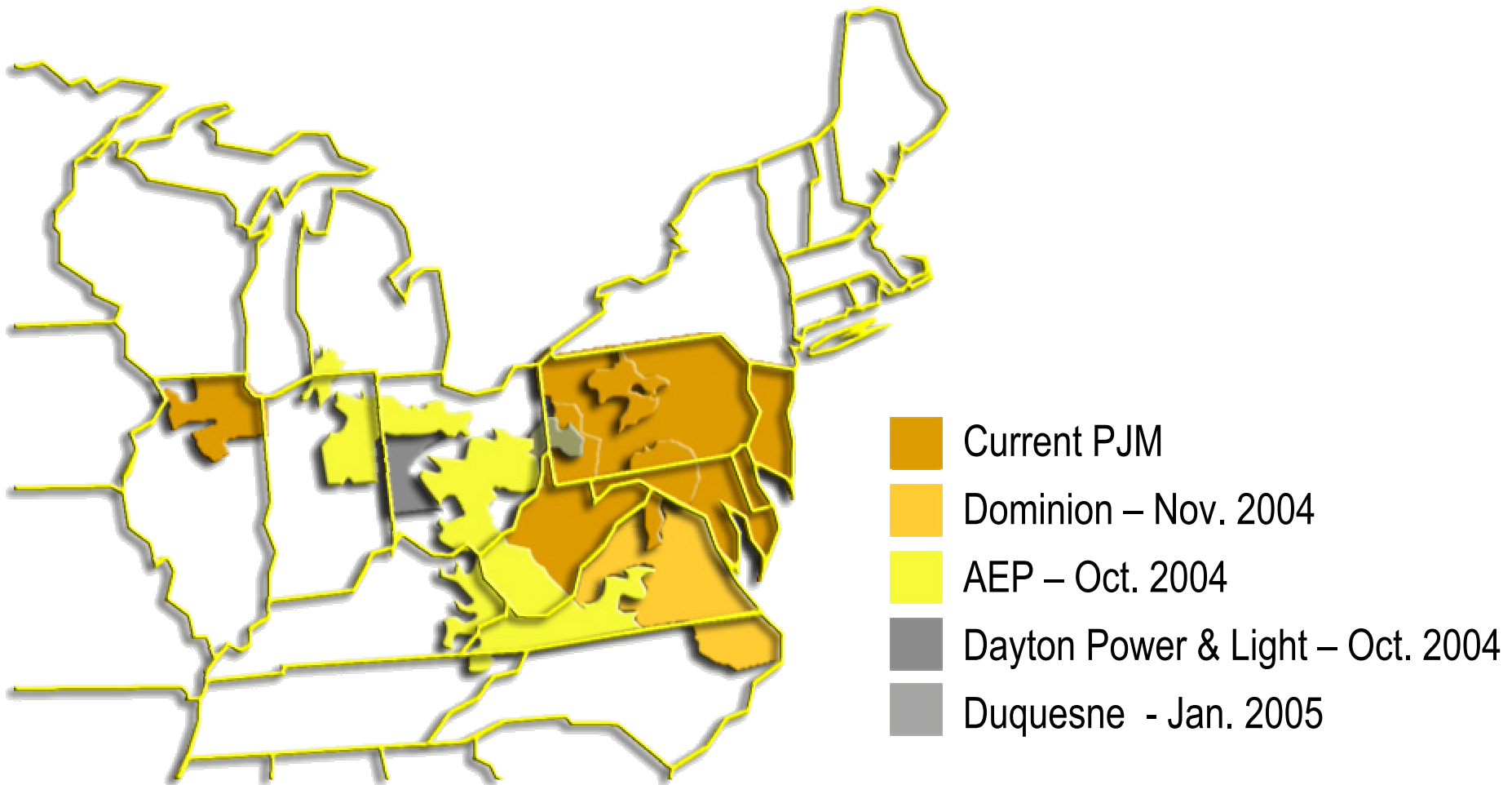




BENEFITS OF RTO MEMBERSHIP

CEUR Meeting
June 29, 2004
Jim Hinton



- Make reliability rules mandatory
- Centralize control of power systems (ISOs, RTOs, pools)
- Better integration of electricity markets and system operations
- Improve technology for system control and interregional coordination
- Strengthen the U.S. transmission infrastructure
- Improve training
- Utilize “best practices”



- Attract new power supply and transmission investments
- Reduce wholesale energy prices
- Establish and enhance demand response programs
- Make competition beneficial to customers



Market is designed to *enhance reliability*.

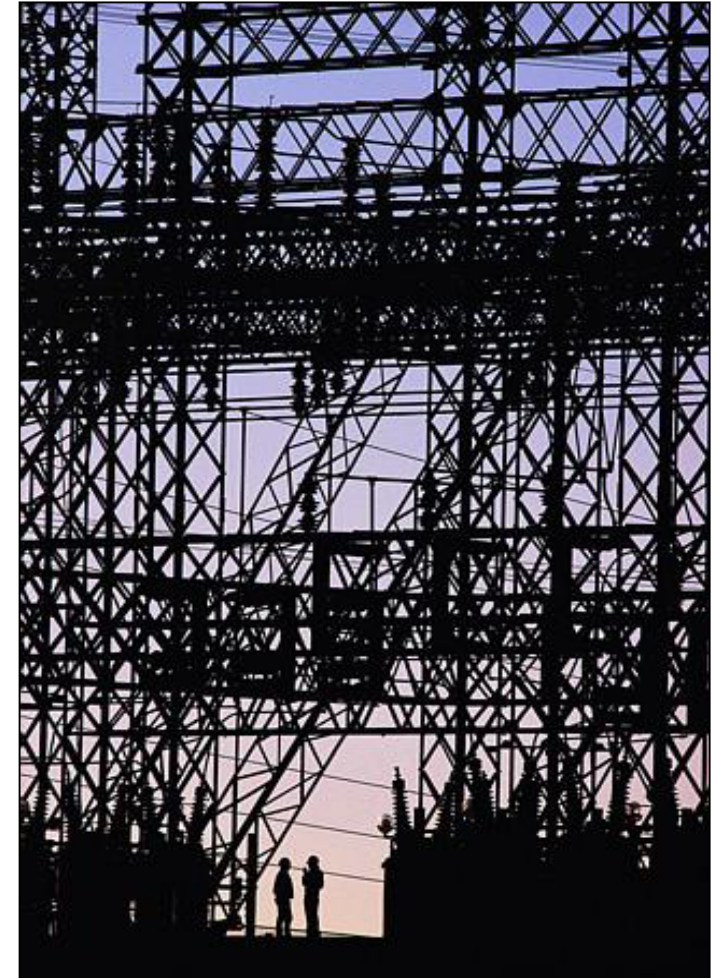
Reliability is enhanced through centralized dispatch.

Market is facilitated by more efficient dispatch of large generation fleet taking advantage of divergent weather variations and time zone effects

Congestion management pricing ensures that costs are borne by entities causing the costs rather than by all consumers.

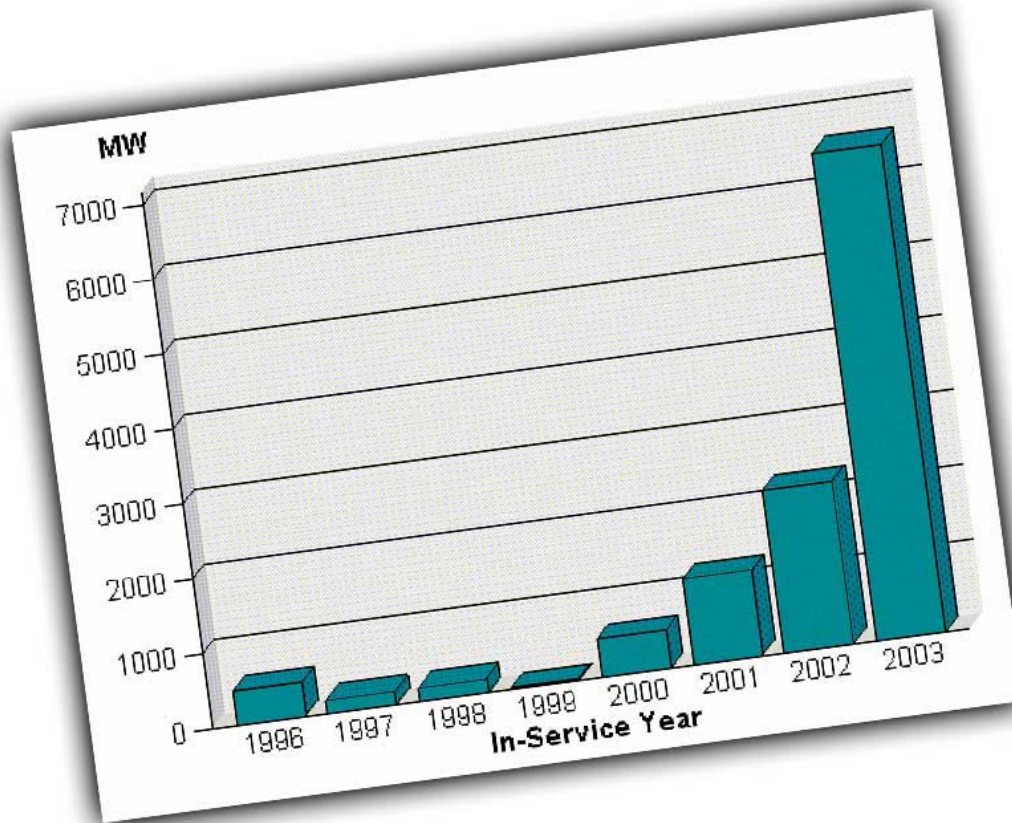
Independent regional planning ensures appropriate balancing of transmission, distribution and demand solutions.

Market monitoring function polices the market for abuses.



Reliability improved

New generating resources locate where there are successful markets



- 4,000 MW currently under construction
- Over 10,000 MW proposed
- 9% Capacity increase since 1996
- \$760 Million in transmission enhancements approved

To be the electric industry leader – today and tomorrow – in reliable operations and efficient wholesale markets.

- As the primary task, to ensure the safety, reliability and security of the bulk electric power system.
- Create and operate robust, competitive and non-discriminatory electric power markets.
- Understand customer needs and deliver valued service to meet those needs in a cost-efficient manner.
- Achieve productivity through the efficient union of superior knowledge workers and technology advances.